

The Arizona Republic

Obama offering bold solutions to mortgage mess

Editorial

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President Barack Obama's mortgage-rescue plan aims directly at the source of the nation's economic sinkhole.

With Wall Street bailouts showing little success, it's Main Street's turn. The twin villains of the housing market - falling home values and rising foreclosure rates - are grimly familiar to Arizona, so it was fitting that Obama came to Mesa to unveil his plan.

Efforts to slow foreclosures and short sales will benefit individual homeowners, stabilize neighborhoods and, eventually, help Arizona's growth-related industries.

But it is worth noting that the biggest applause lines in Obama's speech at Dobson High School were about the president's determination "not to rescue the unscrupulous or irresponsible."

Americans, whose sense of fairness runs deep, understand that people who take chances deserve to suffer any unpleasant consequences of their choices. Yet there are people - lots of them - who played by the rules and still wound up in mortgage hell. The reversal of their misfortune will benefit the economy. The plan is designed to overcome the problems of the Hope for Homeowners program that was enacted in July. That program was supposed to help 400,000 homeowners, but was so restrictive very few benefited, according to *Congressional Quarterly*.

Obama's \$75 billion plan removes restrictions that prevent Fannie Mae and Freddie Mac from guaranteeing loans for mortgages valued at more than 80 percent of a home's value. That rule prevents families from refinancing at historically low interest rates if they owed more than their homes are worth. Obama also says he will announce uniform rules for the mortgage industry to help homeowners restructure subprime loans. Lenders who want federal assistance will have to agree to the rules. Lenders will agree to lower interest rates and the feds will make up part of the gap between the old and new payments.

The president wants Congress to approve a change in bankruptcy rules that would allow judges to reduce home mortgages to fair-market value. The mortgage industry says this would further destabilize the market.

Yet Bankruptcy Courts routinely do this with other assets, and it could cut foreclosure rates by 20 percent, according to the National Association of Consumer Bankruptcy Attorneys. It's worth a debate. Obama is offering bold ideas to address a big problem. So far, so good. Now Americans await the details to judge whether this is the answer to the foreclosure crisis. As he irons out those details, Obama would be wise to consult with Arizona Sens. John McCain and Jon Kyl, who are well versed on a problem engulfing this state.